

Message Text

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INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

AGR-20 INT-08 CU-04 IO-14 NEA-10 EUR-25 NIC-01 SAJ-01

ACDA-19 SCI-06 SCEM-02 CAB-09 FAA-00 AEC-11 MC-02

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9238

USLO PEKING

C O N F I D E N T I A L SECTION 1 OF 2 HONG KONG 476

POUCHED: BANGKOK, BRISBANE, JAKARTA, KUALA LUMPUR, MANILA, MOSCOW,
OTAWA, PARIS, RANGOON, ROME(2), SINGAPORE, TAIPEI, TOKYO,
VIENTIANE, COMUSTDC

E.O. 11652: GDS

TAGS: ECRP CH XX

SUBJECT: PEOPLE'S REPUBLIC OF CHINA ECONOMIC REVIEW 1

REF: CERP 0003

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1. SUMMARY

1973 ENDED WITH A NUMBER OF OPTIMISTIC CLAIMS FOR BOTH AGRICULTURAL AND INDUSTRIAL PRODUCTION. THE NEW YEAR COULD SEE EVEN BETTER PERFORMANCE, BARRING BAD WEATHER OR SERIOUS DISLOCATIONS IN WORLD TRADE. THE DECEMBER RED FLAG RAN WP ARTICLE INDICATING SOME DISAGREEMENT IN INDUSTRIAL PRIORITIES. NCNA REPORTED THAT CHINA'S FOREIGN TRADE ROSE SIGNIFICANTLY IN 1973, BUT NO TOTAL FIGURES WERE GIVEN. A PURCHASE OF UK MACHINERY ON DEFERRED PAYMENT INDICATES A BROADENING OF THIS KIND OF CRYPTO-CREDIT, HITHERTO RESERVED FOR WHOLE PLANT PURCHASES. TRADE AGREEMENTS WERE SIGNED WITH CZECHOSLOVAKIA, NORTH KOREA, AND SRI LANKA FOR 1974. AFTER SIX MONTHS OF NEGOTIATIONS, A TRADE AGREEMENT WAS

SIGNED WITH JAPAN. DURING FUMINO OHIRA'S VISIT, THE PENDING CIVIL AIR AGREEMENT WAS DISCUSSED AT LENGTH WITH OHIRA MAKING IT CLEAR THAT JAPAN WILL NOT DROP FLIGHTS TO TAIWAN. ALSO DURING THIS VISIT, CHOU EN-LAI TOLD OHIRA THAT THE PRC HAD PRODUCED 50 MILLION TONS OF OIL IN 1973, A FIGURE THAT DOES NOT TALLY WITH OUR PREVIOUS OR CURRENT ESTIMATES. SIGNS OF INCREASED ECONOMIC COOPERATION WITH HONG KONG WERE SEEN IN PLANS TO ESTABLISH AN OIL DEPOT HERE AND IN A CONTRACT TO A MAINTENANCE FIRM AT KAI TAK AIRPORT TO OVERHAUL SOME PRC AIRCRAFT ENGINES. CONFIDENTIAL.

2. 1973 YEAR-END ECONOMIC CLAIMS

1973 ENDED WITH A SERIES OF DECIDEDLY UP-BEAT ECONOMIC CLAIMS. IN AGRICULTURE THE GRAIN HARVEST WAS SAID TO HAVE TOPPED THE PREVIOUS HIGH (1971'S 246 OR 250 MILLION MT), THUS SUCCESSFULLY SOLVING THE PROBLEM. CONFIDENTIAL

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OF FEEDING ITS POPULATION BY SELF-RELIANCE, COTTON OUTPUT WAS UP 20 PER CENT (TO 2.2 MILLION MT AND TOPPED AT PREVIOUS RECORDS EVEN THOUGH ACREAGE WAS NOT INCREASED), AND JUTE AND HEMP TOGETHER TOPPED 1972'S RECORD HARVEST BY MORE THAN 40 PER CENT. TOTAL AGRICULTURAL AND INDUSTRIAL OUTPUT VALUE WAS UP 8 PERCENT, AND INDUSTRIAL OUTPUT "ROSE BY A BIG MARGIN." THAT TOTAL CLAIM SEEMS NOT UNREASONABLE; SHANGHAI'S INDUSTRIAL OUTPUT VALUE WAS UP 8 PERCENT, AND A NUMBER OF PROVINCES WERE RUNNING IN THE 9-10 PER CENT-AND-OVER RANGE. CHEMICAL FERTILIZER OUTPUT FOR THE JANUARY-NOVEMBER PERIOD WAS UP 25.8 PER CENT, THE BIGGEST INCREASE IN ANY YEAR, BUT SMALL PLANTS NOW PROVIDE 54 PERCENT OF THE TOTAL SYN-

THETIC AMMONIA (WHICH RAISES SOME QUESTIONS ABOUT ITS QUALITY). STEEL OUTPUT WAS MORE THAN DOUBLE THAT OF 1965, AND SMALL AND MEDIUM-SIZED PLANTS PRODUCED 17 PERCENT MORE IRON AND STEEL THAN IN 1972. IN POWER GENERATION, A FIELD CRITICAL FOR ECONOMIC EXPANSION, NEW CAPACITY PUT ON LINE DURING 1973 WAS 23 PERCENT GREATER THAN DURING 1972. TOTAL CAPACITY WAS 2.1 TIMES THAT OF 1950 AND TOTAL OUTPUT WAS 2.4 TIMES THAT OF 1965 (I.E./9 ABOUT 100 BILLION KWH, OR ABOUT A 5 PERCENT INCREASE OVER PRELIMINARY USG ESTIMATES FOR 1972). MOST STRIKING -- AND LEAST CREDIBLE

- WAS PREMIER CHOU'S CLAIM THAT CRUDE OIL OUTPUT WAS 50 MILLION MT, A MORE THAN 60 PERCENT INCREASE OVER OUR ESTIMATE OF 30 MILLION MT FOR 1972 AND A 150 PERCENT INCREASE OVER CHOU'S OWN EARLIER FIGURE OF 20 MILLION MT IN 1970(SEE ALSO ITEM 10). IMPROVED HARVESTS, SLIGHTLY FASTER INDUSTRIAL EXPANSION, AND LARGER CAPACITY INCREASES IN 1973 ALL INDICATE THAT 1974 COULD SEE AN EVEN BETTER PERFORMANCE PROVIDED THE WEATHER IS NORMAL, NECESSARY IMPORTS CAN BE OBTAINED IN SUFFICIENT QUANTITIES AT ACCEPTABLE PRICES (FERTILIZERS, SYNTHETIC FIBRES AND PLASTICS, FOR EXAMPLE) DESPITE THE ENERGY CRISIS, AND ECONOMIC POLICIES CONTINUE TO BE REASONABLY PRAGMATIC. EXPANDED OUTPUT NEED NOT NECESSARILY LEAD TO A MUTING OF THE ARGUMENTS ABOUT ECONOMIC POLICIES AND PRIORITIES (SEE CONFIDENTIAL

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ALSO ITEM 3). PROJECTS THAT WERE CANCELLED OR DEFERRED IN 1972 AND 1973 MAY NOW BE PUT FORWARD MORE VIGOROUSLY, PARTICULARLY AS ECONOMIC PLANS ARE BEING PREPARED. LIMITED OFFICIAL USE

3. NATIONAL DEFENSE VS. ECONOMIC DEVELOPMENTAL A CONTROVERSY

IN DECEMBER, REF FLAG FOR THE FIRST TIME SO FAR AS WE ARE AWARE LINKED LIU SHAO-CHI AND LIN PIAO BY NAME TO CONTROVERSY OVER THE PRIORITY TO BE ACCORDED DEFENSE INDUSTRY. BURIED IN THE MIDDLE OF LI FENG'S ARTICLE ON "DEVELOP INDUSTRY TO SERVE AGRICULTURE," IS THE ACCUSATION THAT THEY "DELIBERATELY REVERSED PGE RELATIONS ...BETWEEN BASIC INDUSTRY AND THE NATIONAL DEFENSE INDUSTRY...AND SABOTAGED THE NATIONAL ECONOMY." THE NEW ACCUSATION IS REMINISCENT OF THE CONTROVERSY THAT CAME TO LIGHT IN 1971 ABOUT WHETHER STEEL OR ELECTRONICS SHOULD BE THE CENTRAL FOCUS OF INDUSTRIAL DEVELOPMENT; ITS SURFACING NOW SUGGESTS THAT THE ERROR MUST STILL BE GUARDED AGAINST THAT, ONCE AGAIN, BASIC INDUSTRY AND ECONOMIC DEVELOPMENT SHOULD BE GIVEN (INCREASED) PRIORITY OVER INVESTMENTS IN NATIONAL

DEFENSE AND SOPHISTICATED INDUSTRIES, PERHAPS PARTICULARLY AS THE LATTER INVOLVE DRAWING CLOSER TO FOREIGN COUNTRIES TO OBTAIN TECHNOLOGY. IT ALSO SUGGESTS THAT SUCH BASIC ECONOMIC ISSUES AS THESE PRIORITIES ARE UNDER REVIEW AND STILL THE SUBJECT OF SOME DISPUTE IN PEKING.
CONFIDENTIAL

4. NCNA REPORTS TRADE INCREASE FOR 198
IN ONE OF SERIES OF YEAR-END WRAP-UP ARTICLES ON THE CHINESE ECONOMY NCNA DECEMBER 26 REPORTED THAT PRC EXPORTS AND IMPORTS HAD INCREASED SIGNIFICANTLY IN 1973. ALTHOUGH NO FIGURES WERE GIVEN, THE ARTICLE STATED THAT EXPORTS OF INDUSTRIAL AND MINING PRODUCTS HAD INCREASED RAPIDLY AND NOW ACCOUNTED FOR 65 PERCENT OF TOTAL SALES. ACCORDING TO NCNA, CHINA CONTINUED TO PRODUCE PRIMARILY FOR DOMESTIC CONSUMPTION BUT "ENERGETIC EFFORTS" HAD BEEN MADE TO INCREASE EXPORTS. A NUMBER
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OF PRODUCTION FACILITIES HAD BEEN ESTABLISHED TO CONCENTRATE ON MAKING GOODS FOR FOREIGN MARKETS. NCNA ADMITTED, HOWEVER, THAT THE PRC STILL COULD NOT PRODUCE ENOUGH TO MEET FOREIGN DEMAND OR SATISFY REQUIREMENTS FOR "QUALITY, VARIETY OR PATTERN."
ON THE IMPORT SIDE, NCNA STATED THAT ALTHOUGH THE PRC CONTINUED TO RELY ON ITS OWN EFFORTS, NEW EQUIPMENT AND TECHNOLOGY HAD BEEN PURCHASED UNDER A POLICY OF MAKING FOREIGN THINGS SERVE CHINA, AND AS A WAY OF BECOMING MORE SELF-RELIANT. NOT MENTIONED WERE THE LARGE-SCALE AGRICULTURAL IMPORTS, WHOLE PLANT PURCHASES OR ACCEPTANCE OF DEFERRED PAYMENT (CREDITS) WHICH WERE THE MAJOR NEW DEVELOPMENTS IN CHINESE FOREIGN TRADE LAST YEAR.

ACCORDING TO NCNA, CHINA NOW TRADES WITH 150 COUNTRIES AND REGIONS AND HAS CONCLUDED AGREEMENTS WITH 50. INDICATING THE CLOSE TIE WHICH EXISTS BETWEEN TRADE AND PEKING'S AID PROGRAM, THE REPORT SINGLED OUT FOUR COMMUNIST COUNTRIES (DPRK, ALBANIA, DRV, AND ROMANIA) AND "FRIENDLY" THIRD WORLD COUNTRIES AS AREAS IN WHICH TRADE HAD EXPANDED IN A "SPIRIT OF MUTUAL SUPPORT AND ASSISTANCE." THE REPORT IS SIMILAR TO A NCNA ARTICLE ON CHINESE FOREIGN TRADE SINCE 1949 WHICH APPEARED LAST SEPTEMBER (HK 9689, SEPTEMBER 26, 1973.) (UNCLASSIFIED)

5. EXPANDED USE OF DEFERRED PAYMENTS
THE PRC HAS REPORTEDLY EXPANDED THE PRACTICE OF BUYING ON DEFERRED PAYMENT (CREDIT) TO INCLUDE PURCHASES OF MACHINERY AS WELL AS COMPLETE INDUSTRIAL PLANTS. ACCORDING TO A DOWTY MINING EQUIPMENT COMPANY SPOKESMAN, CHINA PURCHASED \$5.2 MILLION (2.25 MILLION POUNDS) WORTH OF EQUIPMENT IN DECEMBER ON A "FIVE YEAR DEFERRED PAYMENT

SCHEME" (REUTERS PEKING 12/14/73). ZWE SALE WAS DOWTY'S
SECOND FOLLOWING A CONTRACT FOR \$30 MILLION WORTH OF
MINING MACHINERY SIGNED LAST JULY (ER 16 HK 8028
8/10/73).

IN 1973 THE PRC PURCHASED NINE COMPLETE PLANTS, WORTH AND
ESTIMATED \$810 MILLION, ON FIVE-YEAR TERMS AT SIX PER
CENT BUILT-IN INTEREST FROM JAPANESE, FRENCH AND
ITALIAN SUPPLIERS. THIS MARKED A RETURN TO A PRE-CULTURAL
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EVOLUTION PRACTICE OF BUYING ON CREDIT BUT ON A GREATLY
EXPANDED SCALE. THE EXTENSION OF THIS PRACTICE TO
MACHINERY COULD ENABLE THE PRC TO FURTHER INCREASE
IMPORTS WHILE DISTRIBUTING THE BURDEN OF REPAYMENT OVER A
LONGER PERIOD.

ALONG WITH COMPLETE PLANTS, CHINA'S MACHINERY IMPORTS
ALSO SHOWED A MARKED INCREASE IN 1973. FROM JANUARY TO
SEPTEMBER PURCHASES OF MACHINERY INCLUDING TRANSPORTA-
TION EQUIPMENT FROM JAPAN, WEST GERMANY AND THE UNP ED
KINGDOM, TOTALED AN ESTIMATED \$190 M COMPARED WITH \$81 M
FOR 1972. LIMITED OFFICIAL USE

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INFO OCT-01 EA-11 ISO-00 EUR-25 NIC-01 SAJ-01 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

NSC-10 SS-20 STR-08 CEA-02 DODE-00 PM-07 H-03 L-03

PA-04 PRS-01 USIA-15 AGR-20 INT-08 CU-04 IO-14 NEA-10

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6. TRADE AGREEMENTS WITH CZECHOSLOVAKIA AND NORTH KOREA

THE PRC HAS SIGNED ITS ANNUAL TRADE AGREEMENTS WITH CZECHOSLOVAKIA AND NORTH KOREA, BRINGING TO FOUR (INCLUDING THE DRV AND ROMANIA) THE NUMBER OF SUCH ACCORDS CONCLUDED WITH COMMUNIST COUNTRIES FOR 1974 TRADE. NO AGREEMENT, HOWEVER, HAS YET BEEN CONCLUDED WITH ALBANIA, WHICH NOW SEEMS OVERDUE. THE 1973 AGREEMENT WITH ALBANIA WAS CONCLUDED ON NOVEMBER 9, 1972.

CZECHOSLOVAKIA

SIGNED BY PRC FOREIGN TRADE VICE MINISTER CHEN CHIEH AND HIS CZECH COUNTERPART M. BURSA, THE ANNUAL SINO-CZECH "GOODS EXCHANGE AND PAYMENTS AGREEMENT" WAS CONCLUDED IN PEKING ON DECEMBER 17. FOREIGN TRADE MINISTER, LI CHIANG, ATTENDED THE SIGNING CEREMONY. NO DETAILS OF THE NEW AGREEMENT WERE ANNOUNCED. (NCNA) LAST YEAR'S AGREEMENT REPORTEDLY PROVIDED FOR AN 11 PERCENT INCREASE OVER THE \$55 MILLION IN TRADE FOR CONFIDENTIAL

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1972. (CTK MARCH 20, 1973) TRADITIONALLY, CZECHOSLOVAKIA HAS EXPORTED MACHINERY AND EQUIPMENT IN EXCHANGE FOR PRC EXPORTS OF FOODSTUFFS AND RAW MATERIALS.

NORTH KOREA

CHINA AND THE DPRK SIGNED THEIR ANNUAL "TRADE PROTOCOL" ON JANUARY 5 IN PYONGYANG. VISITING PRC FOREIGN TRADE VICE MINISTER, YAO YI-LIN AND KOREAN FTVM PANG TAE SIGNED THE ACCORD WITH DPRK ADMINISTRATIVE COUNCIL VICE PRESIDENT, CHOE JAE U, IN ATTENDANCE (NCNA). THIS WAS YAO'S FIRST TRIP ABROAD SINCE HIS IDENTIFICATION AS VICE MINISTER ON DECEMBER 1. (ER 24, HK 12287, DECEMBER 5, 1973). WHILE STATISTICS ON PRC-DPRK TRADE ARE NOT PUBLISHED, WE ESTIMATED TOTAL TRADE IN 1972 AT \$140 MILLION. THIS FIGURE MAY HAVE BEEN LOW, HOWEVER, IN VIEW OF A REPORT THAT PRC EXPORTS INCLUDED 700,000 TONS OF CRUDE OIL (PEKING 1284, OCTOBER 30, 1973). ASSUMING SUCH EXPORTS CONTINUED (AND POSSIBLY EXPANDED), SINO-DPRK TRADE COULD WELL HAVE TOTALLED MORE THAN \$200 MILLION IN 1973. CONFIDENTIAL

7. SRI LANKA TRADE PROTOCOL

FOREIGN TRADE MINISTER LI CHIANG AND FTM TIKIRI BANDA ILLANGARATNE SIGNED THE ANNUAL SINO-SRI LANKA GOODS EXCHANGE PROTOCOL FOR 1974 IN PEKING ON DECEMBER 20. THIS IS 21ST SUCH RICE-RUBBER EXCHANGE AGREEMENT AND THE SECOND PROTOCOL CONCLUDED UNDER THE FIFTH FIVE YEAR TRADE AND PAYMENTS AGREEMENTS SIGNED IN DECEMBER 1972 (ER 26 HK A-352, DECEMBER 12, 29, 72). ON HIS RETURN HOME, ILLANGARATNE ANNOUNCED THAT CHINA HAD AGREED TO SUPPLY 200,000 TONS OF RICE INCLUDING A 40,000 TON GIFT. IN RETURN SRI LANKA WILL SUPPLY 40,000 TO 50,000 TONS OF RUBBER AT WORLD MARKET PRICES. (COLOMBO OVERSEAS SERVICE, DECEMBER 26 1973) AS IN

THE PAST MOST OF THE RICE (160,000 TONS) WILL COME FROM BURMA AND WILL BE SOLD BY CHINA AT BELOW WORLD PRICES WITH NO HANDLING CHARGES (REUTER, COLOMBO, DECEMBER 26, 1973). UNCLASSIFIED

8. JAPANESE TRADE AGREEMENT SIGNED
JAPANESE FOREIGN MINISTER OHIRA'S JANUARY 3-6 VISIT
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TO PEKING RESULTED IN THE FORMAL SIGNING OF THE LONG-AWAITED SINO-JAPANESE TRADE AGREEMENT ON JANUARY 5. OHIRA AND PRC FOREIGN MINISTER CHI-EPING-FEI SIGNED THE ACCORD WHICH HAD BEEN INITIALED IN DECEMBER FOLLOWING SIX MONTHS OF NEGOTIATIONS (HK 12564, DECEMBER 14, 1973). ALTHOUGH THE THREE-YEAR AGREEMENT REQUIRES RATIFICATION BY THE JAPANESE DIET, IT BECAME EFFECTIVE ON JANUARY 10 THROUGH AN EXCHANGE OF NOTES. ACCORDING TO AN UNUSUALLY CANDID NCNA REPORT, THE AGREEMENT PROVIDES FOR MFN AND INCLUDES PROVISIONS FOR PAYMENTS, TECHNICAL EXCHANGES, HOLDING OF EXHIBITIONS, ARBITRATION AND THE ESTABLISHMENT OF A MIXED COMMITTEE OF GOVERNMENT REPRESENTATIVES TO OVERSEE TRADE. IT IS EXPECTED TO RESULT IN A TRADE INCREASE OVER EVEN LAST YEAR'S RECORD BREAKING LEVEL. FROM JANUARY TO NOVEMBER 1973, TOTAL TWO-WAY TRADE REACHED \$1.78 BILLION, AND INCREASE OF 85 PERCENT OVER THE SAME PERIOD IN 1972. UNCLASSIFIED.

9. AVIATION: JAPAN
FONMIN OHIRA'S CANDID DISCUSSIONS IN PEKING ON JANUARY 2-6 APPARENTLY HAVE IMPROVED THE ATMOSPHERE SURROUNDING THE AVIATION TALKS AND SUCCEEDED IN REALIZING A ROUGH OUTLINE OF AGREEMENT AND A GENERAL SCHEDULE FOR REALIZING IT, PERHAPS DURING MAY AND JUNE. IT IS NOT SURE, HOWEVER, WHETHER FONMIN OHIRA'S EFFORTS WILL PRODUCE AGREEMENT ACCEPTABLE TO LDP RIGHT-WINGERS (TOKYO 0283); ROC REACTION TO GOJ MOVES ALSO HAS NOT YET FACTORED INTO THE EQUATION. CURRENT GOJ PLAN APPARENTLY IS TO HAVE PRIVATE FIRM REPLACE JAL'S OPERATIONS TO TAIWAN TO CONTINUE TO RECOGNIZE TOKYO AND BEYOND RIGHTS AS THEY NOW EXIST, AND NOT TO CONCERN ITSELF WITH THE MARKING ON TAIWAN AIRCRAFT OTHER THAN TO DECLARE OFFICIALLY THAT IT DOES NOT RECOGNIZE ROC INSIGNIA AS THOSE OF CHINA (TOKYO 284).
ON JANUARY 4, WHEN MR. OHIRA DEPARTED HONG KONG FOR PEKING, A JAPANESE CONSULATE OFFICER TOLD THE CONGEN THAT MR. OHIRA WOULD INFORM PRC OFFICIALS THAT JAPAN INTENDED TO CONTINUE SERVICES TO TAIWAN, AND THAT THIS POINT WOULD HAVE TO BE ACCEPTED BY THE PRC AS A BASIS FOR A SINO-JAPANESE AGREEMENT. SUCH A HARD LINE, IF MAIN-
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TAINED IN PEKING, MAY INDUCE THE PRC TO AGREE TO ACCEPT PREVIOUSLY UNACCEPTABLE ARRANGEMENTS IN ORDER TO REACH A COMPROMISE AND CONCLUDE A CIVAIR AGREEMENT.
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10. PETROLEUM: MORE OIL; JAPAN; THAILAND

MR. CHOU EN-LAI REPORTEDLY TOLD FONMIN OHIRA THAT CHINA'S 1973 OIL PRODUCTION WAS 50 MILLION METRIC TONS, A FIGURE HIGHER THAN WESTER ESTIMATES OF 35 TO 40 MILLION TONS (UPI, TOKYO, JANUARY 6). THE CHINESE HAVE REPORTED COMPLETION OF THE 1973 PRODUCTION PLAN TEN DAYS AHEAD OF SCHEDULE, LARGE SCALE CONSTRUCTION OF NEW OILFIELDS, AND CONSTRUCTION AND EXPLOITATION OF THE TAKANG OILFIELD, "OPENED IN THE PAST FEW YEARS" (NCNA, DECEMBER 28), BUT NO PRODUCTION FIGURE HAS BEEN PUBLISHED. THE TACHING OILFIELD, " CHINA'S BIGGEST PETROLEUM PRODUCING CENTER," INCREASED PRODUCTION 10 PERCENT IN 1973, AND EXPANDED PRODUCTION CAPACTIY 64.6 PERCENT (NCNA, JANUARY 4). CHINESE CLAIMS OF ANNUAL PERCENTAGE INCREASES FOR TACHING HAVE DECLINED STEADILY IN RECENT YEARS (20 PERCENT IN 1971, 15 IN 1972, 10 IN 1973), AND THE TAKANG FIELD MAY HAVE PROVIDED A SIGNIFICANT PART OF THE OVERALL INCREASE. OIR 3245/2/74 INDICATES THAT TAKANG IS ABOUT 50 KM SE OF THE PORT OF TIENTSIN.

THAI DEPUTY FONMIN CHARTCHAI TOLD THE PRESS DECEMBER 29 THAT WHILE IN PEKING HE HAD CONCLUDED AN AGREEMENT WITH PRC OFFICIALS TO BUY "THE FIRST CONSIGNMENT OF 50,000 TONS OF (DIESEL) OIL FOR 1974...AT A 'FRIENDSHIP' PRICE" (BANGKOK'S 192). A THAI DELEGATION ARRIVED IN HONG KONG JANUARY 9 TO SIGN THE AGREEMENT WITH REPRESENTATIVES OF CHINA RESOURCES CORPORATION. MEANWHILE, CHINA REPORTDELY HAS RAISED THE PRICES OF ITS CRUDE OIL TO BE SHIPPED OUT FROM JANUARY TO U.S. \$8.60 PER BARREL, A 2.7 FOLD INCREASE FROM THE EARLIER PRICE OF \$3.14 (AFP, TOKYO, DECEMBER 26). ALTHOUGH THIS NEW PRICE HAS NOT BEEN CONFIRMED, IT APPEARS MOST LIKELY THAT THE PRC WILL BE QUITE PREPARED TO TAKE ADVANTAGE OF THE WINDFALL PRESENTED BY THE INCREASED INTERNATIONAL PRICE OF OIL. CONFIDENTIAL

11. SINO-HONG KONG RELATIONS

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SEVERAL RECENT DEVELOPMENTS POINT UP A CONTINUATION OF THE TREND TOWARD CLOSER RELATIONS OF MUTUAL BENEFIT. THE CHINESE ARE PLANNING TO ESTABLISH AN OIL DEPOT HERE, AND THE HKG IS REPORTED TO BE PREPARED TO SET ASIDE LAND FOR THIS PURPOSE. THESE STORAGE FACILITIES WOULD BE USED TO HANDLE THE INCREASING VOLUME OF OIL EXPORTS TO HONG KONG. THE HONG KONG AIRCRAFT AND ENGINEERING

COMPANY (HAECO) HAS OBTAINED A CONTRACT FROM THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) TO OVERHAUL SEVERAL VISCOUNT TYPE AIRCRAFT AND ROLL ROYCE DART ENGINES, AND THE FIRST AIRCRAFT ARE EXPECTED HERE IN MARCH. HAECO OFFICIALS HOPE THIS RELATIONSHIP WILL EVENTUALLY BE EXPANDED TO COVER SERVICE OF CHINA'S BOEINGS AND TRIDENTS.

THERE HAS BEEN SOME PRELIMINARY THOUGHT HERE DURING 1973 OF A POSSIBLE JOINT NUCLEAR POWER PROJECT, SITED IN CHINA, FROM WHICH HONG KONG COULD OBTAIN POWER, AND U.S. FIRMS HAVE EXPRESSED INTEREST IN SUCH A LONG-TERM POSSIBILITY (A-330, 12/21/73). THERE HAS ALSO BEEN UNCONFIRMED REFERENCE TO A POSSIBLE ROAD LINK BETWEEN HONG KONG AND CANTON, A PROJECT THAT MAY HAVE BEEN DISCUSSED BRIEFLY BY THE BRITISH FOREIGN SECRETARY AND THE GOVERNOR IN 1972 IMMEDIATELY FOLLOWING THE FOREIGN SECRETARY'S RETURN FROM TALKS IN CHINA (SOUTH CHINA MORNING POST, DECEMBER 31, 1973). ALTHOUGH THE PRESS HAS REPORTED SUBSEQUENT GOVERNMENT PLANNING FOR SUCH A ROAD LINK, AS WELL AS FOR EXPANDED RAIL SERVICE AND A POSSIBLE SPUR TO THE CONTAINER TERMINAL AT KWAI CHUNG, THE HKG HAS MAINTAINED SILENCE ON THESE POSSIBILITIES.

UNCLASSIFIED

12. RECENT REPORTS ON ECONOMIC TOPICS

HK 12499 PRC THIRD QUARTER 1973 TRADE RETURNS:

FACING A DEFICIT

HK 12986 1973: A RECORD YEAR FOR CHINA'S CROP

PRODUCTION

HK 267 PRICES AND VOLUME OF PRC EXPORTS TO

HONG KONG

A-322 PRC ECONOMY, ECONOMIC POLICY AND BALANCE

OF PAYMENTS

A-331 THE PRC ECONOMY IN 1973.

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Message Attributes

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Control Number: n/a
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Draft Date: 12 JAN 1974
Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK00476
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Document Unique ID: 00
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Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
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Handling Restrictions: n/a
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Office: ACTION EB
Original Classification: CONFIDENTIAL
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Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
Reference: CERP 0003
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 30 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: WITHDRAWN <01-Aug-2001 by maustmc, RDFRD>; RELEASED <30 SEP 2002 by kelleyw0>; APPROVED <30-Sep-2002 by kelleyw0>
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30 JUN 2005

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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PEOPLE'S REPUBLIC OF CHINA ECONOMIC REVIEW 1
TAGS: ECRP, CH, XX
To: STATE
PEKING
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005